

SHAKESPEARE-SAN FRANCISCO

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2017

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shakespeare-San Francisco as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Shakespeare-San Francisco's financial statements for the year ended December 31, 2016, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

May 14, 2018

Santa Rosa, California

SHAKESPEARE - SAN FRANCISCO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

(With summarized comparative totals for December 31, 2016)

| | 2017 | 2016 |
|-------------------------------------|------------|------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 93,326 | \$ 162,234 |
| Grants and contributions receivable | 258,188 | 353,050 |
| Other receivables | 8,754 | 4,130 |
| Prepaid expenses | 16,851 | 19,299 |
| Total current assets | 377,119 | 538,713 |
| Fixed assets: | | |
| Property and equipment | 78,906 | 78,906 |
| Vehicles | 16,687 | 16,687 |
| Subtotal | 95,593 | 95,593 |
| Less accumulated depreciation | (86,969) | (81,289) |
| Net fixed assets | 8,624 | 14,304 |
| Total assets | \$ 385,743 | \$ 553,017 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 17,566 | \$ 20,570 |
| Accrued vacation and payroll | 1,800 | 2,148 |
| Payroll taxes payable | - | 15,000 |
| Deferred revenue | 13,832 | 16,423 |
| Total current liabilities | 33,198 | 54,141 |
| Net assets: | | |
| Unrestricted | (12,458) | (51,294) |
| Temporarily restricted | 365,003 | 550,170 |
| Total net assets | 352,545 | 498,876 |
| Total liabilities and net assets | \$ 385,743 | \$ 553,017 |

The accompanying notes are an integral part of these financial statements

SHAKESPEARE - SAN FRANCISCO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(with summarized comparative totals for the year ended December 31, 2016)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2017 Total</u> | <u>2016 Total</u> |
|--------------------------------------|---------------------|-----------------------------------|-----------------------|-----------------------|
| SUPPORT: | | | | |
| Grants | \$ 283,787 | \$ 305,000 | \$ 588,787 | \$ 317,536 |
| Contributions | 367,373 | - | 367,373 | 181,040 |
| Total support | <u>651,160</u> | <u>305,000</u> | <u>956,160</u> | <u>498,576</u> |
| REVENUE: | | | | |
| Camp tuition | 230,809 | | 230,809 | 226,455 |
| Tour income | 93,296 | | 93,296 | 76,505 |
| Residencies | 27,553 | | 27,553 | 47,761 |
| Other revenue | 83,041 | | 83,041 | 53,262 |
| Total revenue | <u>434,699</u> | | <u>434,699</u> | <u>403,983</u> |
| Net assets released from restriction | <u>490,167</u> | (490,167) | - | - |
| Total support and revenue | <u>1,576,026</u> | <u>(185,167)</u> | <u>1,390,859</u> | <u>902,559</u> |
| EXPENSES: | | | | |
| Programs: | | | | |
| Free Shakespeare | 476,271 | | 476,271 | 374,341 |
| Residencies | 89,109 | | 89,109 | 91,609 |
| Shakespeare for All | 59,013 | | 59,013 | 59,615 |
| Tours | 193,715 | | 193,715 | 180,623 |
| Camps | 237,492 | | 237,492 | 269,507 |
| Midnight Shakespeare | 103,313 | | 103,313 | 100,023 |
| Miscellaneous production | 92,314 | | 92,314 | - |
| Total program expense | 1,251,227 | | 1,251,227 | 1,075,718 |
| Administration | 112,285 | | 112,285 | 74,326 |
| Fundraising | 173,678 | | 173,678 | 121,585 |
| Total expenses | <u>1,537,190</u> | | <u>1,537,190</u> | <u>1,271,629</u> |
| CHANGE IN NET ASSETS | 38,836 | (185,167) | (146,331) | (369,070) |
| NET ASSETS, BEGINNING | <u>(51,294)</u> | <u>550,170</u> | <u>498,876</u> | <u>867,946</u> |
| NET ASSETS, ENDING | <u>\$ (12,458)</u> | <u>\$ 365,003</u> | <u>\$ 352,545</u> | <u>\$ 498,876</u> |

The accompanying notes are an integral part of these financial statements

SHAKESPEARE - SAN FRANCISCO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(with summarized comparative totals for the year ended December 31, 2016)

| | Free Shakespeare | Residencies | Shakespeare for All | Shakespeare on Tour | Camps | Midnight Shakespeare | Miscellaneous Production | Total Program | Management & General | Fund- raising | 2017 Total | 2016 Total |
|-----------------------|---------------------|------------------|------------------------|------------------------|-------------------|-------------------------|-----------------------------|---------------------|-------------------------|-------------------|---------------------|---------------------|
| Personnel costs | \$ 100,951 | \$ 7,897 | | \$ 64,504 | \$ 75,904 | \$ 31,639 | | \$ 280,895 | \$ 541,716 | | \$ 822,611 | \$ 733,041 |
| Professional services | 130,390 | 11,365 | | 6,946 | 45,527 | 4,150 | \$ 18,493 | 216,871 | 118,136 | \$ 73,772 | 408,779 | 246,930 |
| Occupancy | - | - | | - | - | - | - | - | 67,477 | - | 67,477 | 59,391 |
| Supplies/equipment | 22,576 | 6 | | 811 | 3,627 | 647 | 4,777 | 32,444 | 25,108 | 1,679 | 59,231 | 42,046 |
| Auto/travel | 13,189 | 2,703 | | 13,324 | 5,284 | 4,466 | 1,658 | 40,624 | 6,094 | 5,226 | 51,944 | 72,419 |
| Advertising/printing | 30,280 | - | | 1,464 | 5,003 | 25 | 400 | 37,172 | | 3,651 | 40,823 | 25,182 |
| Telephone/postage | 1,186 | - | | 1,122 | 210 | - | - | 2,518 | 14,312 | 1,143 | 17,973 | 18,079 |
| Depreciation | - | - | | - | - | - | - | - | 5,680 | - | 5,680 | 6,226 |
| Accounting/auditing | - | - | | - | - | - | - | - | 62,672 | - | 62,672.00 | 33,594 |
| Other expenses | - | - | | - | - | - | - | - | - | - | - | 499 |
| Indirect expense | 177,699 | 67,138 | \$ 59,013 | 105,544 | 101,937 | 62,386 | 66,986 | 640,703 | (728,910) | 88,207 | - | - |
| | <u>\$ 476,271</u> | <u>\$ 89,109</u> | <u>\$ 59,013</u> | <u>\$ 193,715</u> | <u>\$ 237,492</u> | <u>\$ 103,313</u> | <u>\$ 92,314</u> | <u>\$ 1,251,227</u> | <u>\$ 112,285</u> | <u>\$ 173,678</u> | <u>\$ 1,537,190</u> | <u>\$ 1,237,407</u> |

The accompanying notes are an integral part of these financial statements

SHAKESPEARE - SAN FRANCISCO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(with summarized comparative totals for the year ended December 31, 2016)

| | 2017 | 2016 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (146,331) | \$ (369,070) |
| Adjustments to reconcile change in net assets to cash from operations | | |
| Depreciation and amortization | 5,680 | 6,226 |
| (Increase) decrease in: | | |
| Grants and contributions receivable | 90,238 | 574,938 |
| Prepaid expenses | 2,448 | 1,220 |
| Increase (decrease) in: | | |
| Accounts payable and payroll payable | (3,004) | (81) |
| Accrued vacation | (348) | (5,038) |
| Deferred revenue | (2,591) | (14,901) |
| Total cash (used) provided by operations | (53,908) | 193,294 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property and equipment | - | (11,711) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on notes payable | (15,000) | (30,000) |
| NET CHANGE IN CASH | (68,908) | 151,583 |
| CASH, beginning of year | 162,234 | 10,651 |
| CASH, end of year | \$ 93,326 | \$ 162,234 |

The accompanying notes are an integral part of these financial statements

SHAKESPEARE-SAN FRANCISCO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 ORGANIZATION

Shakespeare-San Francisco (Organization), a California tax-exempt nonprofit corporation, was established in 1982 with a mission to make the words and themes of Shakespeare accessible to everyone, regardless of age, ethnicity, financial status or level of education. The Organization receives its funding through grants from foundations and corporations, as well as contributions from the general public. Revenue is also generated through school programs and tours, camp tuition, and other program fees. Programs currently conducted include:

Free Shakespeare in the Park: Professional productions of Shakespeare's works presented at no cost in neighborhood parks. The program served over 30,000 people through twenty-nine performances in San Francisco, Cupertino, Redwood City and Pleasanton. In 2017, the production was, "*Hamlet*."

Shakespeare on Tour: A program that brings a five-actor, fifty-five minute version of a Shakespeare play to over 150 schools, and community sites statewide serving approximately 45,000 each season.

Bay Area Shakespeare Camps: A program that provides Bay Area youth with the opportunity to study and perform Shakespeare in a fun, supportive environment. The program served over three hundred children in twenty-eight two-week summer sessions at community centers, schools, and houses of worship throughout the Bay Area. The Organization offers full and partial scholarships for eligible campers.

Midnight Shakespeare: A ten-week program that provides at-risk youth with the opportunity to develop communication skills and increased self-confidence through the study and performance of Shakespeare. The program is offered in partnership with social service agencies and schools in underserved neighborhoods in West Oakland, Antioch, San Jose and San Francisco and served approximately 100-200 kids annually.

SHAKESPEARE-SAN FRANCISCO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Organization reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed stipulations that may be fulfilled by actions of the Organization to meet the stipulations or that become unrestricted at the date specified by the donor.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be retained and invested permanently by the Organization to use all or part of the investment return on these net assets for specified or unspecified purposes. There are no permanently restricted net assets.

Net assets released from restriction – Temporarily restricted net assets are “released” to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other Basis of Presentation Policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, the Organization reports the revenue or support as unrestricted. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants & Contribution Receivable – Consists of grants and contributions that have been awarded but not yet received.

SHAKESPEARE-SAN FRANCISCO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment – Property and equipment are stated at cost and depreciated or amortized using the straight-line method over estimated useful lives of 3 to 39 years with a capitalization limit of \$5,000. Contributed property and equipment is recorded at fair market value at the date of donation. In the absence of donor stipulations, all contributions of property and equipment are recorded as unrestricted support and depreciated or amortized over the asset's estimated useful life.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and the gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired long-lived assets are placed in service.

Deferred Revenue – Revenue that has not yet been earned due to timing of programs relating to tours, summer camps and grant revenue. These funds will be recognized as income when earned.

Donated Services and Items – Many people have contributed significant amounts of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services because, although clearly substantial, detailed information is not maintained to determine an appropriate basis for valuation.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

SHAKESPEARE-SAN FRANCISCO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes – The Organization is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Organization considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization’s status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax; therefore, no provision for income taxes has been provided in these financial statements. The Organization’s tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative financial information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organizations financial statements for the year ended December 31, 2016, from which the summarized information was derived.

SHAKESPEARE-SAN FRANCISCO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 3 ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the organization. The value of accumulated vacation at December 31, 2017 is \$1,800.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated personal leave. Accumulated employee sick leave benefits are not recognized as liabilities of the organization since payment of such benefits is not probable. Therefore, personal leave benefits are recorded as expenses in the period personal leaves are taken.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following for the years ending December 31, 2017:

| | |
|-------------------------------|-------------------|
| Time and program restrictions | \$ <u>365,003</u> |
|-------------------------------|-------------------|

NOTE 5 LEASE COMMITMENTS

The Organization is leasing their office and shop space under an Industrial Lease Agreement dated November 1, 2006, amended November 2009, November 2014, and again in November 2017 extending the term of the lease for five years, terminating October 31, 2022. Rent expense for the year ended December 31, 2017 is \$40,894. Future minimum lease commitments are as follows for the years ended December 31:

| | | |
|------|----|--------|
| 2018 | \$ | 40,680 |
| 2019 | | 49,680 |
| 2020 | | 49,680 |
| 2021 | | 49,680 |
| 2022 | | 41,400 |

SHAKESPEARE-SAN FRANCISCO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 14, 2018, the date the financial statements were available to be issued and determined that there were no events occurring subsequent to December 31, 2017 that would have a material impact on the Organization's results of operations or financial position.